

Prepared Statement for the Senate Budget Committee:
March 14, 2001

Mr. Chairman, members of the committee, I am pleased to have this opportunity to testify before you for the first time as Secretary of State, in support of President Bush's budget request for FY 2002.

I've known several of you for many years – and I recall with fondness some of those hearings we used to have when I was Chairman of the Joint Chiefs of Staff.

In fact, I sometimes long for the dollars of those days. I would love to have to deal with hundreds of billions of dollars once again.

I must tell you that the resources challenge for the State Department has become such a serious one, such a major impediment to the conduct of America's foreign policy, that I view my responsibility to appear before you here today as one of the most important responsibilities I have as Secretary of State.

I believe I have responsibilities as the "CEO" of the State Department, as well as responsibilities as the President's principal advisor on foreign policy.

And it's my CEO hat that I want to put on first. But you will see that it is sometimes difficult to wear one hat at a time because what I do under my CEO hat impacts on what I do under my foreign policy hat.

Mr. Chairman, in January at my confirmation hearing I told the members of the Senate Foreign Relations Committee that President Bush would be a leader who faithfully represents to the world the ideas of freedom and justice and open markets.

The President has many ways he can do this, many different methods through which he can show the world the values of America and the prosperity and peace those values can generate.

For example, the President meets with other heads of state here in Washington and he travels to summits around the world such as the G-8 summit coming up in July in Genoa and the APEC summit in October in Shanghai.

And, as you know, I travel for him as well. I returned two weeks ago from visits to Israel, Egypt, Jordan, Syria, Saudi Arabia, Kuwait, and the West Bank, as well as to Brussels on my way home to participate in a meeting of the North Atlantic Council and to talk with some of my counterparts in Europe.

Such trips by his Secretary of State are another of the methods the President has at his disposal to represent American values and interests in the councils of state around the world.

But the most important method by which the President presents America to the world, the most important method by far, is through the thousands of people who labor away at such representation every day of the week in almost every country in the world.

I am of course speaking of our front line troops in the State Department, as well as those here in America who support them.

I am talking about the Foreign Service officers, the Civil Service employees, and the Foreign Service nationals who make up the Department of State.

Theirs is the daily drudgery of foreign policy, punctuated by the thrill and excitement of diplomatic success ranging from the minor to the sublime, from the courteous handling of a visa application to the inking of a treaty curtailing nuclear weapons.

Mr. Chairman, there are no finer people chipping away at tyranny, loosening the bonds of poverty, pushing the cause of freedom and peace, on the US government payroll.

And it is a mystery to me how they have continued to do it over the years with so little resources.

Some of you may have visited Camp Bondsteel in Kosovo where our GIs are stationed. It is a superb, first-class facility put in overnight to make sure that our troops are taken care of. But if you visited some of our dilapidated embassies and other facilities in the region, you would wonder whether the same government was taking care of them. The same bald eagle is clutching the arrows and the olive branch, but in many of State's buildings that American eagle is very ill-housed.

Also at Camp Bondsteel there are excellent capabilities with respect to information technology, including the capability to send unclassified e-mails. In many of State's facilities there were no such capabilities.

Now since the time that construction was begun on Camp Bondsteel, with the help of Congress and with the good work of former Secretary Albright and her dedicated people, we have made great strides in our unclassified information technology at State.

My hope is that, in the first year of the Bush Administration, the Congress will work with us to continue this good progress we have made, and to see that our operations and our foreign affairs are put back in balance with everything else we do in the world.

For example, now that we have made such strides in our *unclassified* information technology, we have to continue those strides by gaining broad-based Internet access. At the same time, we have to begin work to create *classified* Local Area Network capabilities, to include classified e-mail and word-processing.

Mr. Chairman, as you well know, some of our embassies in addition to lacking up-to-date information technology are not as secure as they should be -- and so we have *people* who are not as secure as they should be.

But again thanks to the House and Senate's attention to this matter, we are beginning to get a handle on it.

I understand that when the FY 99 emergency supplemental was being put together, we did not have the sort of robust buildings program that was needed to meet security needs. We had to prove that we could ramp up to such a program and then manage it.

Let me just say that in the two and a half years since the bombings in Kenya and Tanzania, we are well on the way to doing just that.

We provided an immediate stand-up of facilities in Dar Es Salaam and Nairobi and within twelve months replaced each with more secure interim facilities that will be in place until the new replacement facilities are finished.

We broke ground on those permanent facilities in August.

Likewise, we just completed construction in Kampala, Uganda and our people have moved in just 15 months after construction began.

We will also move into a new embassy in Doha, Qatar in early June of this year.

Other new construction projects where we have broken ground include Zagreb, Istanbul, and Tunis.

Ground-breaking for Abu Dhabi will occur this spring.

In addition, we've funded over 1200 individual perimeter security upgrades with over 50 percent now completed.

But we are still not moving quickly enough nor efficiently enough.

And I want to work with you and the other members of Congress to gain your confidence so that we can move faster and eliminate some of the barriers that cost money to overcome.

In that regard, we are carefully studying construction costs.

I know that we can do better in adapting the best practices of industry and smart engineering techniques and technologies to embassy construction.

The hundred-foot set-back, for example, can sometimes be overcome by better and smarter construction.

Blast protection remains the same but the dollar costs are significantly lower because acquisition of land is exorbitantly expensive. If we can provide the same degree of security through a better built wall that has only, say, a fifty-foot set-back, then that's what we are going to do.

And we believe better overall management is also achievable so that construction delays don't eat up precious more dollars.

Better overall management includes bringing on board an experienced operations executive to manage the Overseas Facilities Program, as recommended by the Overseas Presence Advisory Panel. It also includes realigning the Foreign Buildings Office from within the Bureau of Administration to a stand-alone organization reporting directly to the Undersecretary for Management – requiring, of course, consultation with and the support of the Congress.

The combination of strong leadership, realignment of the function, and an industry panel to assist with identifying best practices from the private sector, along with implementation of other OPAP recommendations, will greatly improve the management of the overseas buildings program.

On Monday at the State Department we swore in one of the Army's finest engineers, retired Major General Charles Williams, to head this effort. He is an expert at reducing costs while delivering high quality and I've no doubt he will offer us new ways to execute and to manage our embassy construction.

As a result, we may be able to reduce that hundred-million-dollar price tag on new embassy construction. I am committed to working with the Congress on this issue.

Mr. Chairman, in the past we have not in all cases done the best we could to see that our overseas personnel were as secure as they should be -- but together, you and I can change that. Together, we can continue this very positive effort we have begun to pull the State Department into the Twenty-First Century.

And that is what we are after in the President's Budget for Fiscal Year 2002 -- to continue this very positive forward momentum.

The President's request of about \$23.9 billion – a five-percent increase over this year – will do just that.

We are providing \$1.3 billion, for example, toward our steadfast commitment to the safety of our men and women serving overseas.

These dollars will allow us to continue to address our infrastructure needs including the construction of new, secure facilities and the continuing refurbishment of existing ones.

These dollars also provide the means to improve security operations -- including the hiring of additional security officers who are essential to the prevention and deterrence of terrorist attacks against our embassies, such as those that occurred in Nairobi and in Dar Es Salaam.

We will not be deterred by such attacks from doing our job in the world -- but we will take measures to protect our people.

The President's Budget also provides \$270 million for modernizing -- and in some cases acquiring for the first time -- the required information technology for the conduct of foreign affairs.

These dollars will allow us to modernize our secure Local Area Network capability, including e-mail and word-processing. Likewise, they will allow us open access channels to the Internet so that our people can take full advantage of this enormously important new means of communication and research. This access will also increase communications and information sharing within the foreign affairs community.

Mr. Chairman, this development alone has the potential to revolutionize the way we do business.

Take for example the great products turned out by the Foreign Broadcast Information Service, or "FBIS" as we call it.

No longer will an ambassador or political or economic officer in one of our embassies have to wait for the bound copies to arrive by courier or mail at his desk or office, often delaying the hottest, most recent news.

Switching on the computer, accessing the Internet, and clicking on the FBIS account puts the latest news from in-country and regional newspapers and periodicals at your fingertips almost instantly.

Similarly, clicking onto your e-mail account allows you to query any subject matter expert in the system as swiftly and securely as modern technology permits.

When I arrived in the Transition Office at State in December of last year, the first thing I put on the table behind my desk was my computer with access to my e-mail account.

I didn't want to be out of touch for an instant.

And the Department of State doesn't want to be out of touch either.

So our long-term investment strategy and ongoing acquisition of new technology will continue to address the many information needs of our foreign policy professionals.

And we need to reinvigorate our Foreign Service -- an arm of our professional public service apparatus every bit as important as the Army, Navy, Marine Corps, Air Force, or Coast Guard.

To do this, we need to hire more of America's brightest and most talented young people who are committed to service.

And we will only be successful if we change how we recruit, assess, and hire Foreign Service Officers. And we are doing that. We also need to be smarter about how we market the State Department if we are to win the fight for talent.

Funding alone will not solve our human resource challenges. We must create a place of work that can compete with our higher paying private sector competitors for the very best young people America has to offer.

And I assure you we will, by providing a career that rewards innovation, recognizes achievement, and demands accountability and excellence. With your help we will win the fight for talent and that victory will be reflected every day in America's foreign policy.

The President's Budget provides money to hire more than 350 new foreign service officers so we can establish a training float -- a group of FSOs that will begin to relieve some of the terrible pressures put on the conduct of America's foreign policy by the significant shortage of FSOs we are currently experiencing.

Moreover, the Budget provides \$126 million to fund American and Foreign Service national pay raises, cost of living adjustments and offsets to domestic and overseas inflation.

All of these actions will help us reinvigorate our Foreign Service.

Mr. Chairman, there are other areas of the President's Budget that I want to highlight in addition to embassy security, construction and refurbishment; information technology; and hiring of new people for the Foreign Service.

These programs require a new culture within our foreign affairs apparatus -- a new public-private partnership that mobilizes the very best institutions in our country ranging from universities, to private voluntary organizations, to foundations, to the for-profit private sector companies.

It requires reorienting our economic assistance to ensure that we can mobilize the expertise of others' outside the government, that we can leverage our resources, and that we can integrate the efforts of those working in various disciplines such as global health.

For those of us in the foreign policy community we see our role as agents of change. We cannot do it all -- but with the assistance of these institutions we can further US foreign

policy interests in promoting economic growth and agricultural development, global health, and conflict prevention.

These are the program areas that must be funded to advance America's foreign policy interests overseas. These are programs aimed at restoring peace, building democracy and civil societies, safeguarding human rights, tackling non-proliferation and counter-terrorism challenges, addressing global health and environment issues, responding to disasters, and promoting economic reform.

For example, we plan to include approximately \$730 million in the Budget to expand counterdrug, alternative development, and government reform programs in the Andean region.

The Budget includes an additional \$60 million for military assistance to Israel to help meet cash flow needs for procurement of U.S. defense systems, and to demonstrate our solid commitment to Israel's security.

With \$1.4 billion, the Budget fully funds all FY2002 scheduled payments to the Multilateral Development Banks and the U.S. commitment to the Heavily Indebted Poor Countries debt reduction initiative.

The Budget increases funding for Migration and Refugee Assistance – a total of \$715 million -- to give crucial and life-sustaining support to refugees and victims of conflict throughout the world.

The Budget reflects the Bush administration's leadership in promoting the protection of human rights, for example, in combating impunity for crimes against humanity in Sierra Leone.

The Budget increases resources for combating global HIV/AIDS and trafficking in women and children, and for basic education for children. All in all, we will increase funding for these programs by about ten percent.

The President's Budget for FY2002 also provides \$844 million to support UN peacekeeping operations around the world, such as those in Bosnia and in Kosovo. It also includes \$150 million in voluntary peacekeeping to support ongoing operations, including efforts to bring peace and stability to key areas on the African continent.

The Budget also supports political and economic transitions in Africa, with emphasis on those countries, such as Nigeria and South Africa, that have a direct bearing on our national security and on those countries that have demonstrated progress in economic reform and in building democracy.

Building democracy and civil societies remains a top priority of this administration, so our Budget also supports short- and long-term programs to support democratic elements in countries where alternative voices are silenced. Toward this end, the Budget increases

funding for U.S. international broadcasting to \$470 million. These funds will support the free flow of information by providing accurate information on world and local events to audiences abroad.

We have devoted \$40 million to sustain our efforts to remove landmines in former war-ravaged countries -- landmines that kill and maim children and innocent civilians.

With \$247 million, the Budget supports our efforts to reduce risks posed by international terrorism and to halt the spread of weapons of mass destruction by supporting stronger international safeguards on civilian nuclear activity and by helping other countries to improve their controls on exports of potentially dangerous technology.

The Budget includes \$275 million to provide increased funding for the Peace Corps, another group of bright and talented individuals committed to service. The Peace Corps has more than 7000 currently serving volunteers addressing a variety of problems in the areas of agriculture, education, the environment, small business, and health matters.

Mr. Chairman, before I conclude my prepared statement, let me call your attention to several areas upon which I want to place special emphasis.

In addition to what I have already highlighted with respect to the money for the Andean region, you know that much of that money -- some \$400 million overall -- is directed at Colombia.

We are asking for money to continue and expand programs begun with the \$1.3 billion emergency supplemental in FY 2000.

Colombia is the source or transit point of 90 per cent of the cocaine and over 50 percent of the heroin that arrives in America. Those percentages are increasing, by the way.

Neighboring countries, such as Bolivia and Peru, have conducted effective coca eradication programs, but maintaining their successes will require vigilance and U.S. assistance. Therefore, we are requesting approximately \$155 million for Bolivia and \$100 million for Peru, to support those countries' requirements for institution-building, alternative development, and interdiction.

The Bush administration believes strongly that any successful counterdrug strategy in the region must include funding to bring greater economic and political stability to the region and a peaceful resolution to Colombia's internal conflict.

We must capitalize on the ground work of programs funded thus far, including the expansion of Andean eradication and interdiction programs, sustained alternative development programs, and continued attention to justice and government reform initiatives.

In addition, the President's Budget includes approximately \$75 million for Ecuador, Brazil, Venezuela, and Panama, to strengthen their efforts to control drug production and the drug trade. Our efforts must be regional in scope if they are to be successful.

Mr. Chairman, I also want to emphasize our efforts to de-layer the bureaucracy at State to promote a more effective and efficient organization for the conduct of our foreign policy.

We have begun an initiative to empower line officers -- the true experts in most areas -- and use their expertise to streamline decision-making and increase accountability.

The current organization sometimes complicates lines of authority within the Department and hinders the development and presentation of a coherent foreign policy, and thus mars its effectiveness. So I want to carve out needless and even hurtful pieces of the current organization. I won't do it unless I am certain it is necessary, and when I do it I will look for the support of the Congress.

I feel very strongly about this effort. Throughout the last four years I have seen up close and personal how American business has streamlined itself. This streamlining is sometimes ruthless; it is sometimes hard; it is almost always necessary. We need to do the same thing at the State Department.

Mr. Chairman, consistent with the effort to reduce subsidies that primarily benefit corporations rather than individuals, our Budget for international affairs will include savings in credit subsidy funding for the Export-Import Bank.

As you know, the Export-Import Bank provides export credits, in the forms of direct loans or loan guarantees, to U.S. exporters who meet basic eligibility requirements and who request the Bank's help.

The President's Budget proposes savings of about 25 per cent in the Bank's credit subsidy requirements through policy changes that focus the Bank on U.S. exporters who truly cannot access private financing, as well as through lower estimates of international risk for 2002.

These changes could include a combination of increased risk-sharing with the private sector, higher user fees, and more stringent value-added tests.

These efforts at redirection anticipate that the role of the Export-Import Bank will become more focused on correcting market imperfections as the private sector's ability to bear emerging market risks becomes larger, more sophisticated, and more efficient.

Mr. Chairman, members of the committee, I believe we have an historic opportunity with this Budget to continue -- and even to speed up a little -- the refurbishment of our foreign policy organization and, ultimately, of our foreign policy itself.

I believe this is as it should be for what we are doing, finally, is redressing the imbalance that resulted from the long duration -- and necessary diversion of funds -- of the Cold War.

For over half a century we found it absolutely imperative that we look to our participation in that titanic struggle for ideological leadership in the world as the first and foremost requirement of our foreign policy and our national security.

Now, the Cold War is over. Now, as all of you have recognized, we are involved in spreading the fruits of our ideological triumph in that war. Now, we have need of a more sophisticated, a more efficient, a more effective foreign policy.

Now is the time to provide to the principal practitioners of that foreign policy the resources they need to conduct it.

Thank you, and now I welcome your questions.